

Service Date: October 12, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Application     ) UTILITY DIVISION  
of PACIFIC POWER & LIGHT COMPANY     )  
for Authority to Adopt New Rates     ) DOCKET NO. 83.10.71  
and Charges for Electric Service     )  
Furnished in the State of Montana     ) ORDER NO. 5028d  
COLSTRIP UNIT NO. 3 AND RELATED     )  
FACILITIES.                             )

ORDER ON MOTION FOR RECONSIDERATION

1. On August 20, 1984, the Commission approved Order No. 5028c which disposed of all matters pending in Docket No. 83.10.71.
2. On September 12, 1984, Pacific Power and Light Company filed a Motion for Reconsideration.
3. The Company in its Motion makes two points in the first of four arguments; (1) Colstrip 3 is providing service and (2) on an actual basis there was virtually no surplus in 1983. No party to this case disputes the fact that Colstrip 3 is in service and is generating power. That fact by itself does not resolve the issue of whether the plant is used and useful. In this case it is beyond argument that PP&L is surplus. As to the lack of surplus power on an actual basis, the Company is well aware that normalization is used for both planning and setting rates.
4. The Commission has adequately explained in Order No. 5028c Findings of Fact Nos. 63 through 66 that the "actually used and useful" statutory standard, 69-3-109, MCA is the proper

standard to be applied to determine whether PP&L's Colstrip Unit No. 3 plant investment should be included in the rate base.

While the Commission's Order does not include any findings concerning prudence, that does not imply that the Commission conceded the PP&L's decision to invest in Unit No. 3 was prudent. Whether or not PP&L's decision to invest in Unit No. 3 was prudent is not an issue before the Commission.

5. PP&L claims that Order No. 5028c ignores previous rate case treatment of interest deductions generated by the construction of Colstrip Units 3 and 4.

6. Order No. 5028c did not treat previous adjustments pertaining to construction related interest. The reason is simple: no party, including PP&L raised the issue in the course of the proceedings in this case.

7. Because of the time when PP&L raised this issue, the parties have not had an opportunity to examine this question. Neither have parties had the opportunity to brief the issue. An adjustment based only on arguments in the Motion for Reconsideration would violate basic precepts of due process.

8. The flow-through of construction period interest argument raises factual and legal issues. For example, there seems to a real possibility that such an adjustment would constitute retroactive ratemaking. Retroactive ratemaking is prohibited in Montana as well as virtually all jurisdictions. There is also the issue of whether there should be offsetting adjustments. For example, it seems logical to consider whether the adjustment shouldn't be accompanied by a corresponding exclusion of incremental debt used to finance

the construction of these units. These and other issues must be exposed to the evidentiary process.

9. Finally, PP&L notes that the firm sales normalization adjustment provides a sharing between shareholders and ratepayers. The Commission explained in Finding of Fact No. 80 of Order No. 5028c why that adjustment is not acceptable in the present situation.

#### CONCLUSIONS OF LAW

1. The Applicant, Pacific Power and Light Company, furnishes electric service to consumers in Montana, and is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission 69-3-101, MCA.

2. The Commission properly exercises jurisdiction over the Applicant's rates and operations. 69-3-102, MCA, and Title 69, Chapter 3, Part 3, MCA.

3. The Commission has provided public notice of all proceedings and opportunity to be heard to all interested parties in this Docket. Title 2, Chapter 4, MCA and 69-3-303, MCA.

4. The rate level approved herein is just and reasonable 69-3-330, MCA.

#### ORDER

1. The Pacific Power and Light Company's Motion for Reconsideration is DENIED.

2 All motions and objections not previously ruled upon are

DENIED. Consistent with the Findings of this Order.

DONE AND DATED this 9th day of October, 1984

by a vote of 3- 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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CLYDE JARVIS, Commissioner

ATTEST:

Madeline L. Cottrill  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.